

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PRS-01

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R 201357Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1234

DEPARTMENT TREASURY

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 13946

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: EMMINGER AND APEL ON EC SNAKE

1. TODAY'S DIE WELT HEADLINES A STORY EMMINGER  
QUESTIONS USEFULNESS OF EC SNAKE AND REPORTS THAT  
BUNDESBANK VICE PRESIDENT EMMINGER HAS RAISED THE  
QUESTION WHETHER THE PRICE PAID FOR THE EC SNAKE IS  
WORTHWHILE IN VIEW OF THE CONSTANTLY RECURRING TUR-  
BULENCE ON THE FOREIGN EXCHANGE MARKETS. EMMINGER  
CONCEDED THAT AFTER FRANCE LEFT THE SNAKE THE FOREIGN  
EXCHANGE INFLOWS INTO THE FRG ARE SMALLER THAN BEFORE.  
BUT NEVERTHELESS THE REQUIREMENT TO INTERVENE TO DEFEND  
LITTLE SNAKE PARITIES WAS BECOMING MORE AND MORE  
DIFFICULT TO RECONCILE WITH THE NEED TO CONTROL THE  
QUANTITY OF MONEY IN ORDER TO PRESERVE INTERNAL PRICE  
STABILITY. FIXED INTERVENTION POINTS, EMMINGER  
POINTED OUT, CONSTITUTE PRACTICALLY AN INVITATION TO  
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SPECULATORS. WHILE FLEXIBLE EXCHANGE RATES DO NOT

CONSTITUTE A CURE-ALL, THEY ARE PREFERABLE TO FIXED RATES WHICH DO RESULT WITHIN A SHORT TIME IN MONETARY CRISES. ONLY REAL ADJUSTMENT OF THE INTERNAL ECONOMY CAN RESTORE EQUILIBRIUM TO A COUNTRY, BUT A REDUCTION IN THE EXCHANGE VALUE OF A CURRENCY CAN PROVIDE STRONG PRESSURE TO RECONSTITUTE THE INTERNAL EQUILIBRIUM. IN SOME SITUATIONS, EMMINGER CONCLUDED, FLEXIBLE EXCHANGE RATES THUS CAN PROVIDE MORE PRESSURE FOR MONETARY DISCIPLINE THAN FIXED PARITIES.

2. IN WHAT THE PRESS INTERPRETS AS AN ANSWER TO EMMINGER, FEDERAL FINANCE MINISTER APEL TODAY IN A SPEECH IN WIESBADEN REAFFIRMED THAT HE WANTS TO PRESERVE THE EC SNAKE WHICH THE FRG CONSIDERS TO BE OF GREAT POLITICAL AND ECONOMIC IMPORTANCE. HE DENIED THAT THERE ARE ANY PLANS TO CHANGE THE LITTLE SNAKE. HILLENBRAND

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Copy:** SINGLE  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**To:** STATE  
TRSY  
**Type:** TE  
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